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- (1) The Department shall determine the maximum state disproportionate share hospital allotment for California under the provisions of applicable federal Medicaid rules.
- (2) The Department shall calculate the maximum state disproportionate share hospital allotment for California, by substituting in the calculation the amount of eight hundred seventy-seven million dollars (\$877,000,000), as though that amount was identified for California for the applicable federal fiscal year pursuant to Section 1396r-4(f) of Title 42 of the United States Code.
- (3) The amount determined under subparagraph (2) shall be subtracted from the amount determined under subparagraph (1).
- (4) For purposes of the calculations set forth in paragraph h. regarding each hospital's tentative adjusted projected total payment adjustment amount, the initial amount as set forth in paragraph b. shall, in each instance prior to its application in those calculations, be increased by the amount derived in subparagraph (3).
- (5) The difference derived in subparagraph (3) shall be divided by the amount determined in subparagraph (2).
- (6) For purposes of the determination made under clause (a) of subparagraph (1) of paragraph i. regarding nonpublic/converted hospitals that also meet the definition of a major teaching hospital, the amount of thirty-five million eight hundred thousand dollars (\$35,800,000) as specified therein shall be multiplied by a number equal to the sum of the fraction derived in subparagraph (5) plus the number 1.00.
- (7) The fraction derived in subparagraph (5) shall be multiplied by 1.226, and the result thereof added to 1.00, yielding a factor for purposes of modifying the determination of the applicable nonpublic hospital adjustment factor pursuant to subparagraphs (8) and (9).
- (8) The amount derived under subclause (ii) of clause (a) of subparagraph (3) of paragraph i. shall be multiplied by the factor derived in subparagraph (7) prior to the application of the increase set forth in subclause (iii) of clause (a) of subparagraph (3) of paragraph i., as such increase is modified by subparagraph (9) below.

- (9) The increase that is applied in subclause (iii) of clause (a) of subparagraph (3) of paragraph i. shall be equal to the product of the medical assistance increment multiplied by the maximum amount derived in subparagraph (2).
- (10) For purposes of the calculations set forth in clause (a) of subparagraph (4) of paragraph i. regarding the determination of the applicable public hospital adjustment factor, the initial amount as set forth in paragraph b. shall, in each instance prior to its application in those calculations, be increased by the amount derived in subparagraph (3).
- m. No eligible hospital shall receive total payment adjustments for the applicable payment adjustment year in excess of the hospital's OBRA 1993 payment limitation as computed by the Department pursuant to Section J.
- n. The aggregate sum of the final adjusted projected total payments adjustment amounts computed under paragraph i. *and j.* for each eligible hospital for the period October 1 through June 30 of the applicable payment adjustment year shall be the maximum size of the payment adjustment program for the entire payment adjustment year, exclusive of the supplemental payment adjustments provided for under subsection 3.
3. Supplemental Lump-Sum Payment Adjustments - June 30.
- a. For the 2001-02 payment adjustment year and each subsequent payment adjustment year, eligible hospitals that meet the requirements of this subsection and that are in operation as of June 30 of the applicable payment adjustment year shall be eligible to receive a supplemental lump-sum payment adjustment, which shall be payable as a result of the facility being a disproportionate share hospital in operation as of that date, but only if the hospital has remained in operation for the period October 1 through June 30 of the applicable payment adjustment year.
- b. The availability of supplemental lump-sum payment adjustments under this subsection shall be determined as follows:
- (1) The maximum state disproportionate share hospital allotment for California under the provisions of applicable federal Medicaid rules shall be identified for the applicable federal fiscal year.

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- (2) The total amount of all payment adjustment amounts under this Attachment (exclusive of any payments under this subsection) applicable to the applicable federal fiscal year, whether paid or payable, shall be determined. The applicability of payment adjustment amounts to the federal fiscal year shall be determined in accordance with federal Medicaid rules.
  - (3) The figure determined under subparagraph (2) shall be subtracted from the figure identified under subparagraph (1). If the remainder is a positive figure, supplemental lump-sum payment adjustments shall be made under this subsection.
  - (4) The maximum amount of supplemental lump-sum payment adjustments under this subsection shall be the positive remainder derived in subparagraph (3).
- c. For purposes of supplemental lump-sum payment adjustments under this subsection, only hospitals that can be categorized into either of the two groups specified in subparagraphs (1) and (2) below shall be eligible to receive the supplemental payment adjustments, and no hospital may qualify for more than one of the two groups. The following groups of hospitals shall be recognized:
- (1) "Public hospitals," which shall include all eligible hospitals that, as of July 1 of the applicable payment adjustment year, met the definition of a public hospital.
  - (2) "Nonpublic hospitals," which shall include all eligible hospitals that, as of July 1 of the applicable payment adjustment year, met the definition of a nonpublic hospital.
- d. The amount determined to be the maximum amount of supplemental lump-sum payment adjustments under paragraph b. shall first be allocated between the two groups of hospitals referred to in paragraph c. as follows:
- (1) "Public hospitals": 75.00% of that amount which is equal to the maximum amount identified in subparagraph (4) of paragraph b. of this subsection 3.
  - (2) "Nonpublic hospitals": That amount equal to the maximum amount identified in subparagraph (4) of paragraph b. of this subsection 3 less the amount allocated to public hospitals determined under subparagraph (1).

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- e. The amount of funds allocated pursuant to paragraph d. shall then be distributed as supplemental lump-sum payment adjustments among the eligible hospitals within each particular group as follows:
- (1) The Department shall identify for each eligible hospital the total amount of payment adjustments under this Attachment (exclusive of any payments under this subsection) applicable to the payment adjustment year, whether paid or payable. The applicability of the payment adjustment amounts to this period of time shall be determined in accordance with federal Medicaid rules.
  - (2) The amount identified for each hospital under subparagraph (1) shall be compared to the OBRA 1993 payment limitation that, in accordance with Section J., the Department has computed for the particular hospital for the applicable payment adjustment year.
  - (3) Where the amount computed under subparagraph (1) for the particular hospital is equal to or exceeds the OBRA 1993 payment limitation for the hospital, the hospital shall not receive a supplemental lump-sum payment adjustment. Data regarding hospitals that have reached this limitation shall not be used for purposes of subparagraphs (5) through (8).
  - (4) Where the amount computed under subparagraph (1) for the particular hospital is less than the OBRA 1993 payment limitation for the hospital, the amount computed under subparagraph (1) shall be used for purposes of subparagraphs (5) through (8).
  - (5) The amounts identified under subparagraph (4) for each hospital in the particular group shall be added together to determine an aggregate total for each group.
  - (6) The figures determined for each hospital under subparagraph (4) shall be divided by the aggregate total determined under subparagraph (5) for the particular group, yielding a percentage figure for each hospital.

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- (7) The percentage figure determined for each hospital under subparagraph (6) shall be applied to the maximum portion of the funds allocated to the particular group under paragraph d., to determine the hospital's pro rata share of the supplemental lump-sum payment adjustments. Notwithstanding the foregoing, however, in the case of a nonpublic hospital that, as of July 1 of the applicable payment adjustment year, met the definition of a children's hospital, such pro rata share otherwise determined shall be multiplied by a factor of 1.69, yielding a modified pro rata share to be applied only with respect to the first one million dollars (\$1,000,000) of the funds allocated pursuant to subparagraph (2) of paragraph d., and, with respect to the remainder of the funds so allocated, the pro rata share otherwise determined shall be multiplied by a factor of 1.09, yielding a modified pro rata share to be applied. The pro rata share for the other nonpublic hospitals shall be reduced accordingly, yielding a modified pro rata share, so that the maximum portion of the funds allocated to the nonpublic hospitals group will not be exceeded. The pro rata share or modified pro rata share, as applicable, for each hospital, as computed under this subparagraph, shall also be used for all purposes relating to descending pro rata distributions under subparagraph (8).
- (8) In no event shall a hospital receive supplemental lump-sum payment adjustment amounts in excess of the difference between the OBRA 1993 payment limitation for the hospital and the amount computed for the hospital under subparagraph (1). Any supplemental lump-sum payment adjustment amount, or portion thereof, that otherwise would have been payable under this paragraph to a hospital, but that is barred by this limitation, shall be distributed on a descending pro rata basis to those hospitals within the same group.
- f. The Department shall make interim and final payments of the supplemental lump-sum payment adjustments to hospitals on or before June 30 of the applicable payment adjustment year.
- g. With respect to the 2001-02 payment adjustment year, supplemental lump-sum payment adjustments shall be determined and payable in conformance with the provisions of paragraph a. through f., except as set forth below.

- (1) Each eligible hospital that, as of July 1, 2001, met the definition of a nonpublic/converted hospital, and that remains in operation as of June 30, 2002, shall be eligible to receive supplemental lump-sum adjustments in an amount equal to the amount of fifty-five million dollars (\$55,000,000), multiplied by a fraction, the numerator of which is the total payment adjustment amount payable to the hospital pursuant to subsection 2 of Section P. (commencing with page 29ffff), and the denominator of which is the maximum state disproportionate share hospital allotment for California identified under subparagraph (1) of paragraph b. of this subsection 3.

Notwithstanding the foregoing, in no case shall any amount otherwise payable pursuant to this subparagraph (1) be paid in an amount that would cause any hospital to exceed the applicable OBRA 1993 payment limitation. Any amount that cannot be paid to a hospital as a result of the restriction in the preceding sentence shall revert for purposes of the allocations made pursuant to subparagraph (2).

- (2) The allocation amounts specified in subparagraphs (1) and (2) of paragraph d. shall be modified as follows:
- (a) With respect to that amount equal to thirty-six million, six hundred sixty-six thousand, six hundred sixty-seven dollars (\$36,666,667) less one-third of the total supplemental lump-sum payment adjustments amounts payable to nonpublic/converted hospitals pursuant to subparagraph (1), the allocation shall be 0.00% to public hospitals, and 100% to nonpublic hospitals.
- (b) With respect to that amount which is equal to the maximum amount of supplemental lump-sum payment adjustments identified in subparagraph (4) of paragraph b., minus the amounts payable to non-public/converted hospitals pursuant to subparagraph (1), and minus the amounts allocated pursuant to clause (a), the allocation shall be 75.00% to public hospitals, and 25.00% to nonpublic hospitals.